

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-319-W - ORDER NO. 2008-92
FEBRUARY 8, 2008

IN RE: Application of South Atlantic Utilities, Inc.)	ORDER APPROVING
for Approval of an Increase in Rates and)	INCREASE IN RATES
Charges for the Community Water System at)	AND CHARGES AND
May River Plantation in Bluffton, South)	ADOPTING
Carolina.)	SETTLEMENT
)	AGREEMENT

I. INTRODUCTION AND PROCEDURAL HISTORY

This matter comes before the Public Service Commission of South Carolina (hereinafter the "Commission") on the application, filed September 4, 2007 by South Atlantic Utilities, Inc. ("SAU" or the "Company"), for approval of a new schedule of rates and charges for the community water system at May River Plantation in Bluffton, South Carolina. In its application, the Company sought an increase in annual water revenues of \$5,252.

By letter dated September 14, 2007, the Commission's Docketing Department instructed SAU to publish a prepared Notice of Filing, one time, in newspapers of general circulation in the area affected by SAU's Application. The Notice of Filing described the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. In the same letter, the Commission also instructed SAU to notify directly, by U.S. Mail, each customer affected by the Application by

mailing each customer a copy of the Notice of Filing. SAU furnished the Commission with an Affidavit of Publication demonstrating that the Notice of Filing had been duly published in a newspaper of general circulation in the area affected by SAU's Application. The Company also provided the Commission with a letter in which SAU certified that it had complied with the instruction of the Commission's Docketing Department to mail a copy of the Notice of Filing to all customers affected by the Application.

No Petitions to Intervene were filed in this case in response to the Notice of Filing. Furthermore, no letters of protest were filed with the Commission by SAU customers or other members of the public in response to the Notice of Filing.

Pursuant to S.C. Code Ann. Section 58-4-10(B) (Supp. 2007), the Office of Regulatory Staff ("ORS") is a party of record in this proceeding. ORS and SAU are the only parties of record in the above-captioned docket. As a result of settlement negotiations between them, the parties have determined that their interests are best served by entering into a Settlement Agreement resolving the issues in this matter.

The parties asserted before the Commission that the Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers. Specifically, SAU accepted ORS's accounting and pro forma adjustments and agreed to reduce its original requested increase in water revenue of \$5,252 to an annual increase in water revenue of \$3,467, which produced an operating margin of 15.64%. The new monthly water rates for SAU's 26 customers will be \$30.00 for up to 10,000 gallons of water consumed and \$2.00 for each additional 1,000 gallons consumed over 10,000.

ORS stated in the Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. By signing the Agreement, all counsel acknowledged their respective clients' consent to its terms. The Agreement provided that the parties viewed the terms of the Agreement to be just and reasonable. ORS and SAU have now presented their Settlement Agreement to the Commission for review and have jointly requested that the Commission approve and adopt the terms of the Settlement Agreement.

II. DISCUSSION OF THE COMMISSION'S JURISDICTION

By statute, the Commission is vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices, and measurements of service to be furnished, imposed, observed, and followed by every public utility in this State. S.C. Code Ann. Section 58-5-210 (1976). Further, it is incumbent upon the Commission to approve rates which are just and reasonable, not only producing revenues and an operating margin within a reasonable range, but which also distribute fairly the revenue requirements, considering the price at which the company's service is rendered and the quality of that service. Seabrook Island Property Owners Association v. South Carolina Public Service Commission, 303 S.C. 493, 401 S.E. 2d 672 (1991).

Further, the Settlement Policies and Procedures of the Commission (Revised 6/13/2006) are pertinent to the matter before the Commission and consistent with its statutory duties. Section II of that document ("Consideration of Settlements") states:

When a settlement is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement for the Commission's consideration of the settlement. For example, the Commission may summarily accept settlement of an essentially private dispute that has no significant implications for regulatory law or policy or for other utilities or customers upon the written request of the affected parties. On the other hand, when the settlement presents issues of significant implication for other utilities, customers, or the public interest, the Commission will convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. Approval of such settlements shall be based upon substantial evidence in the record.

This case presents issues of significant implication for the utility and the public interest. As such, this Commission convened "an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." No statute has changed the duties of the Commission in this regard.

III. THE HEARING AND PROPOSED SETTLEMENT AGREEMENT

In discharging its statutory duty to ascertain that the proposed terms and conditions of the settlement were just, fair and reasonable, the Commission held a public hearing on January 10, 2008, at 10:30 a.m., at the Commission's offices located at 101 Executive Center Drive, Columbia, South Carolina. SAU was represented by Benjamin P. Mustian, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire. At this hearing, the parties offered into the record the Agreement dated January 3, 2008. The parties further introduced into the record and stipulated to the settlement testimony of SAU witnesses Thomas A. Smith, III and Jacquelyn Watson, C.P.A. The parties also stipulated to and included in the record the

settlement testimony of ORS witnesses Christina L. Seale and M. Elizabeth Ford. Mr. Smith, Ms. Watson, Ms. Seale, and Ms. Ford additionally answered questions from the Commission regarding the terms and conditions of the Agreement.

IV. CONCLUSION AND ORDER

We find that the rates agreed to by the parties, which are specified in the Agreement and described in this Order, are just and reasonable and will allow SAU to continue to provide its customers with adequate water service. Based on the record before us, we find that the Company is currently operating under rates that do not allow it to earn a fair operating margin. The Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable. Further, the agreed upon rates will allow the Company to earn a reasonable operating margin. We agree and find that the rates and charges and terms and conditions contained in the Agreement are just and reasonable.

Upon our review and consideration of the Agreement, the evidence contained in the record of this case, the testimony of the witnesses, and the representations of counsel, the Commission concludes as a matter of law that the Agreement results in just and reasonable rates and fees for water agreed to by the Parties. Based on the operating revenues, operating expenses, and operating income for return agreed upon by the parties, the resulting allowable operating margin for the Company is 15.64%. See S.C. Code Ann. § 58-5-240(H).

IT IS THEREFORE ORDERED THAT:

1. The Agreement, attached hereto as Order Exhibit 1, is incorporated into and made a part of this Order by reference. The new monthly water rates for SAU's 26 customers will be \$30.00 for up to 10,000 gallons of water consumed and \$2.00 for each additional

1,000 gallons consumed over 10,000. This amounts to an annual increase in water revenue of \$3,467.

2. The proposed rates contained in the Agreement have been entered into the record of this case without objection. We find that the rates and charges and terms and conditions contained therein are just and reasonable and will allow the Company to continue to provide its customers with adequate water service.

3. As agreed upon by the parties to the Settlement Agreement and approved herein, the new rates and charges are to be implemented for service rendered on or after February 1, 2008.

4. An operating margin of 15.64% is approved for SAU.

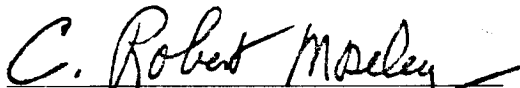
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:


C. Robert Moseley, Vice-Chairman

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-319-W

January 3, 2008

Application of South Atlantic Utilities, Inc.)

for Approval of an Increase in Rates and)

Charges for the Community Water System)

at May River Plantation in Bluffton, South)

Carolina.)

_____)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and between the Office of Regulatory Staff (“ORS”) and South Atlantic Utilities, Inc. (“South Atlantic” or “the Company”) (together referred to as the “Parties” or sometimes individually as “Party”).

WHEREAS, the Company has prepared and filed an Application seeking an adjustment of its rates and charges and modifications to certain terms and conditions set out in its rate schedule for the provision of its water service for the Community Water System at May River Plantation in Bluffton, South Carolina;

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission (“Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2006), and the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket;

WHEREAS, since the filing of the Application, ORS has requested information from South Atlantic and the Company has provided those responses to ORS;

WHEREAS, ORS examined the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests; and

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable rate of return.

1. The Parties agree that no documentary evidence will be offered in the proceeding by the Parties other than: (1) the Application filed by the Company, (2) the exhibits to the testimony referenced in paragraph 2 herein below, and (3) this Settlement Agreement with Exhibits A through E attached hereto.

2. The Parties stipulate and agree to include in the hearing record of this case the pre-filed direct testimony of M. Elizabeth Ford, Christina L. Seale, Jacquelyn Watson and Thomas Smith, including all exhibits attached to the pre-filed testimony, without objection or cross-examination. Further, the parties agree to include in the hearing record of this case without

objection or cross examination the settlement testimony of witnesses M. Elizabeth Ford, Jacquelyn Watson, and Thomas Smith, attached hereto and incorporated herein by this reference as Exhibits A, B, and C.

3. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached hereto as Exhibit D fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, plant in service, Operating Margin of 15.64%, and revenue requirement.

4. The Parties stipulate and agree that the rate schedule attached hereto as Exhibit E, including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its customers at rates and terms and conditions of service that are fair, just and reasonable and the opportunity to recover the revenue required to earn a fair return on its investment.

5. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

- ... 'public interest' means a balancing of the following:
- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
 - (2) economic development and job attraction and retention in South Carolina; and
 - (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public

while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

6. In its Application, South Atlantic has requested, based on the adjustments of ORS, an increase in annual revenues of \$5,252, based on current test year calculated revenues of \$8,844 and test year proposed revenues of \$14,096. As a compromise to positions advanced by ORS and South Atlantic, the Parties stipulate and agree to an increase in annual revenues of \$3,467, said increase to be based upon the adjustments reflected in the testimony of Christina L. Seale and the operating margin stipulated to by the Parties in Paragraph 7 below.

7. The Company and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that a operating margin of 15.64% is just and reasonable under the specific circumstances of this case, including the size and location of the system, and in the context of a comprehensive settlement.

8. The Parties further stipulate and agree that the stipulated testimony of record, the Application, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments and depreciation rates shown on Exhibit D hereto are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) a operating margin of 15.64 %, which yields an annual increase in revenues of approximately \$3,467, is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) South Atlantic's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of water service, and (iv) South Atlantic's rates as

proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and are just and reasonable and should be adopted by the Commission for bills rendered by the Company after February 1, 2008.

9. The Parties further agree and stipulate that the rate schedule attached hereto as Exhibit E, including the rates and charges and the terms and conditions set forth therein, are just and reasonable, reasonably designed, and should be approved and adopted by the Commission.

10. The Parties agree that South Atlantic shall work towards adopting the NARUC system of accounts and that it shall begin to keep all books and records of the May River system in accordance with this system by no later than the start of the Company's next fiscal year subsequent to the issuance of an Order of the Commission in this case.

11. South Atlantic further agrees and stipulates that it will file with ORS all required information, data and reports required under the Commission's Regulations on an annual or regular basis in a timely manner and shall keep in place or file performance bond(s) in amounts determined to be adequate by ORS for water service.

12. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

13. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other proceedings. If the

Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

14. This Settlement Agreement shall be interpreted according to South Carolina law.

15. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

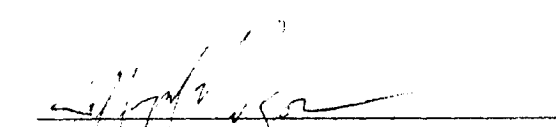
Docket No. 2007-319-W

Order No. 2008-92

February 8, 2008

WE AGREE:

Representing the Office of Regulatory Staff



Jeffrey M. Nelson, Esquire

Office of Regulatory Staff

✓ 1441 Main Street (Suite 300)

Columbia, SC 29201

Phone: (803) 737-0823

Fax: (803) 737-0895

E-mail: jnelson@regstaff.sc.gov

Docket No. 2007-319-W

Order No. 2008-92

February 8, 2008

WE AGREE:

South Atlantic Utilities, Inc.

A handwritten signature in black ink, appearing to read 'Ben P. Mustian', is written over a horizontal line.

Benjamin P. Mustian, Esquire

Willoughby & Hoefler, P.A.

Post Office Box 8416

930 Richland Street

Columbia, SC 29202-8416

Phone: (803) 252-3300

Fax: (803) 256-8062

E-mail: bmustian@willoughbyhoefler.com

EXHIBIT A

Settlement Testimony of M. Elizabeth Ford

Docket No. 2007-319-W

South Atlantic Utilities, LLC

Page 1

SETTLEMENT TESTIMONY OF M. ELIZABETH FORD**FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2007-319-W****IN RE: SOUTH ATLANTIC UTILITIES, LLC**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is M. Elizabeth Ford. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Program Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to provide a brief overview of the Settlement Agreement reached between ORS and South Atlantic Utilities, LLC ("South Atlantic") in this proceeding and to explain why this Settlement Agreement is in the public interest.

Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT AGREEMENT REACHED BY ALL PARTIES OF RECORD.

A. Following extensive discussions, the parties have each determined that their interests, as well as the interest of the public would be best served by settling all pending issues in this proceeding.

1 It is the position of ORS and the other parties of record in this docket that the
2 Settlement Agreement, as presented to this Commission, is a fair, reasonable and
3 full resolution to all issues in this proceeding. Further, the Settlement Agreement
4 represents the public interest as it preserves the balance referred to in S.C. Code §
5 58-4-10:

6 ... 'public interest' means a balancing of the following:

- 7
8 (1) Concerns of the using and consuming public with
9 respect to public utility services, regardless of the
10 class of customer;
11
12 (2) Economic development and job attraction and
13 retention in South Carolina; and
14
15 (3) Preservation of the financial integrity of the State's public utilities
16 and continued investment in and maintenance of utility facilities so
17 as to provide reliable and high quality utility services.
18

19 All parties agree that an increase in rates and charges is necessary for South
20 Atlantic to provide its residential customers with safe and adequate water service.
21 The Settlement Agreement provides a schedule of proposed rates, terms and
22 conditions that are fair and reasonable to both the customer and South Atlantic
23 and will allow South Atlantic the opportunity to earn a fair return on its
24 investment. Specifically, South Atlantic has agreed to reduce its rates, from those
25 proposed in the original Application, in the areas of residential water base facility
26 charges and water usage charges. South Atlantic currently charges a residential
27 base facility charge of \$22.00. In its Application, South Atlantic proposed an
28 increase in the base facility charge to \$34.00. As a result of the settlement
29 agreement, the base facility charge will be \$30.00 which reflects an \$8.00

1 increase. South Atlantic proposed, in its application, an increase in the commodity
2 charge using an inclining block rate structure. As a result of the settlement
3 agreement, the commodity charge for water will be \$2.00/1,000 gallons and South
4 Atlantic will not implement an inclining block rate structure.

5 The proposed rate increase would result in additional revenue of \$3,467 for total
6 revenue of \$12,311 resulting in a 15.64% operating margin.

7 As stated earlier, it is the position of ORS and South Atlantic that this Settlement
8 Agreement is a fair, reasonable and full resolution to all issues in this proceeding
9 and I would request the Commission approve the Settlement Agreement as
10 presented today.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. This concludes my overview of the Settlement Agreement presented on behalf of
13 ORS and South Atlantic.

14

EXHIBIT B

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-319-W

IN RE:

Application of South Atlantic Utilities, Inc.)
for Approval of an Increase in Rates and Charges)
for the Community Water System at May River)
Plantation in Bluffton, South Carolina)
_____)

**SETTLEMENT TESTIMONY OF
JACQUELYN WATSON**

1 **Q. ARE YOU THE SAME JACQUELYN WATSON WHO HAS PREFILED DIRECT**
2 **TESTIMONY IN THIS CASE?**

3 **A. Yes, I am.**

4

5 **Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS**
6 **PROCEEDING?**

7 **A. The purpose of my testimony is to discuss the settlement agreement between**
8 **South Atlantic Utilities, Inc., or South Atlantic, and the South Carolina Office of**
9 **Regulatory Staff and support its adoption by the Commission.**

10

11 **Q. ARE YOU AWARE THAT THE COMPANY HAS ENTERED INTO A**
12 **SETTLEMENT AGREEMENT WITH THE OFFICE OF REGULATORY STAFF**
13 **(“ORS”) IN THIS PROCEEDING?**

1 A. Yes. It is my understanding that, as part of a comprehensive settlement of the
2 issues in this matter, South Atlantic and ORS have agreed to certain accounting
3 adjustments that will allow the Company the opportunity to earn an additional \$3,467 in
4 annual revenue and the resulting operating margin would be 15.64%. This would yield a
5 base facility charge in the amount of \$30 which would include 10,000 gallons of water
6 consumption. Consumption in excess of this amount would be subject to an additional
7 charge of \$2.00 per thousand gallons.

8

9 **Q. DO YOU BELIEVE THE RATES CONSENTED TO IN THE SETTLEMENT**
10 **AGREEMENT WILL PROVIDE THE COMPANY SUFFICIENT ADDITIONAL**
11 **REVENUES AND IS REASONABLE?**

12 A. In the context of a comprehensive settlement such as this, I believe that the
13 agreed-upon rates will allow South Atlantic the opportunity to earn sufficient revenue to
14 ensure safe and reliable service to its customers at an affordable rate. The Company
15 believes that the proposed settlement rates fairly distribute the cost to the consumer of
16 providing those services, while at the same time placing the utility on a more solid
17 financial footing.

18

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, it does.

21

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-319-W

IN RE:

Application of South Atlantic Utilities, Inc.)
for Approval of an Increase in Rates and Charges)
for the Community Water System at May River)
Plantation in Bluffton, South Carolina)
_____)

SETTLEMENT TESTIMONY OF
THOMAS SMITH

1 Q. ARE YOU THE SAME THOMAS SMITH WHO HAS PREFILED DIRECT
2 TESTIMONY IN THIS CASE?

3 A. Yes, I am.

4

5 Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

6 A. The purpose of my testimony is to discuss the settlement agreement between
7 South Atlantic Utilities, Inc., or South Atlantic, and the South Carolina Office of
8 Regulatory Staff and support its adoption by the Commission.

9

10 Q. HAS THE COMPANY ENTERED INTO A SETTLEMENT AGREEMENT WITH
11 THE OFFICE OF REGULATORY STAFF?

12 A. Yes. The Company has negotiated with ORS resulting in a resolution of the
13 issues in this matter.

1 **Q. IS THE SETTLEMENT AGREEMENT A REASONABLE MEANS OF**
2 **RESOLVING THE ISSUES IN THIS CASE?**

3 **A.** Yes, it is. In the context of the present settlement agreement, which disposes of
4 all issues in the case, the rates set based on a 15.64% operating margin and the
5 adjustments proposed by Ms. Tina Seale of ORS allow the Company the opportunity to
6 earn sufficient revenue to ensure safe and reliable service to its customers at an affordable
7 rate. The Company believes that the proposed settlement rates fairly distribute the cost to
8 the consumer of providing those services, while at the same time placing the utility on a
9 more solid financial footing. Additionally, ORS has stipulated that this agreement serves
10 the public interest. I believe this is demonstrated by the fact that the Commission has not
11 received any protests from South Atlantic customers in this proceeding even though the
12 rates requested in the application were higher than what has been agreed upon.

13 Further, it is my understanding that one of the statutory duties of ORS is to
14 facilitate the resolution of disputed issues involving matters within the jurisdiction of the
15 Commission. I also believe that other parties in cases before the Commission, which in
16 this proceeding is only South Atlantic, should work with ORS in good faith in an attempt
17 to reach a settlement. I believe that the Settlement Agreement reflects a good faith effort
18 on the part of ORS and South Atlantic to meet their respective obligations in that regard.
19 Finally, the settlement is beneficial to the Company and the customers in that it brings
20 this matter to an end without delay and the uncertainty of further proceedings which, in
21 turn, permits the Company to focus upon the continued improvement and expansion of its
22 facilities and services for the benefit of its customers which is consistent with the public

1 interest.

2 The Company is committed to continuing to provide quality service in an
3 environmentally responsible manner. It is our belief that the agreed-upon rates in the
4 comprehensive settlement agreement are reasonable, fair, responsible, non-discriminatory
5 and justified when considered as a part of the settlement agreement in its entirety and in
6 light of the customers' needs, the Company's requirements to meet the customers' needs,
7 and the Company's commitment to do so in compliance with regulations of this
8 Commission, DHEC, and other regulatory agencies with jurisdiction over the Company.

9

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes, it does.

EXHIBIT D

SETTLEMENT AUDIT EXHIBIT CLS-1

South Atlantic Utilities, Inc.
Docket No. 2007-319-W
Operating Experience and Operating Margin for May River Plantation
For the Test Year Ended December 31, 2006

	(1)	(2)	(3)	(4)	(5)
	Application Per Books	ORS's Proposed Accounting & Pro forma Adjustments	After ORS's Proposed Accounting & Pro forma Adjustments	Proposed Settlement Increase	After Proposed Settlement Increase
<u>Operating Revenues</u>					
Customer Billings	\$ 8,951	\$ (107) (A)	\$ 8,844	\$ 3,467 (K)	\$ 12,311
Tap Fees	500	(500) (B)	0	0	0
<u>Total Operating Revenues</u>	\$ 9,451	\$ (607)	\$ 8,844	\$ 3,467	\$ 12,311
<u>Operating Expenses</u>					
Electricity	\$ 804	\$ (24) (C)	\$ 780	\$ 0	\$ 780
Meter Reading	600	(600) (D)	0	0	0
Taxes Other Than Income	69	(5) (E)	64	24 (L)	88
Licenses	200	(115) (F)	85	0	85
Depreciation	275	(272) (G)	3	0	3
Lab Fees	870	(90) (H)	780	0	780
Drinking Water	889	0	889	0	889
Overhead Allocation	6,999	(3,133) (I)	3,866	0	3,866
Rate Case	0	3,435 (J)	3,435	0	3,435
Income Taxes (State and Federal)	0	0	0	459 (M)	459
<u>Total Operating Expenses</u>	\$ 10,706	\$ (804)	\$ 9,902	\$ 483	\$ 10,385
<u>Net Operating Income (Loss) for Return</u>	\$ (1,255)	\$ 197	\$ (1,058)	\$ 2,984	\$ 1,926
<u>Operating Margin</u>	-13.28%		-11.96%		15.64%

SETTLEMENT AUDIT EXHIBIT CLS-2

South Atlantic Utilities, Inc.
Docket No. 2007-319-W
Explanation of Adjustments for May River Plantation
For the Test Year Ended December 31, 2006

Revenues and Expenses	Adj.#	Description	\$ Settlement	\$ Application
<u>ORS's Proposed Accounting and Pro forma Adjustments</u>				
(A) Customer Billings	1	To normalize customer billings for the test year.	(107)	0
(B) Tap Fees	2	To remove tap fees from revenues and include in CIAC.	(500)	0
(C) Electricity	3	To remove donations paid in the test year.	(24)	0
(D) Meter Reading	4	To remove meter reading expenses, which are included in the overhead allocation.	(600)	0
(E) Taxes Other Than Income	5	To adjust the gross receipts taxes associated with ORS's accounting and pro forma adjustments.	(5)	0
(F) Licenses	6	To remove unsupported expenses from the Licenses Account.	(200)	0
	7	To include license fees paid in the test year.	85	0
		Total	(115)	0
(G) Depreciation	8	To adjust depreciation and amortization on all fixed assets and CIAC.	(272)	0
(H) Lab Fees	9	To remove lab fees incurred outside the test year, but included in the cost of service.	(90)	0
(I) Overhead Allocation	10	To adjust for an allowable expense allocation for ratemaking purposes.	(3,133)	0
(J) Rate Case	11	To amortize total rate case expenses over a three-year period.	3,435	0
<u>Proposed Settlement Increase</u>				
(K) Customer Billings	12	To adjust customer billings for the calculation of the proposed settlement rate increase.	3,467	4,583
(L) Taxes Other Than Income	13	To adjust gross receipts taxes associated with the proposed settlement rate increase.	24	0
(M) Income Taxes (State and Federal)	14	To adjust income taxes associated with the proposed settlement rate increase.	459	0

Docket No. 2007-319-W

Order No. 2008-92

February 8, 2008

SETTLEMENT AUDIT EXHIBIT CLS-3

South Atlantic Utilities, Inc.

Docket No. 2007-319-W

Computation of Depreciation and Amortization Expenses for May River Plantation
For the Test Year Ended December 31, 2006

Year Acquired	Description	Amount \$	Service Life years	Rate %	Expense \$
<u>Fixed Assets Per Prior Rate Case Docket No. 91-494-W:</u>					
1973	May River and Improvements				
	Land	500	N/A	N/A	0
	Building	1,000	50	2.00%	20
	Water Tank	1,427	50	2.00%	29
	Pump and Equipment	4,968	5	20.00%	FD
	Miscellaneous Equipment	4,471	10	10.00%	FD
	Totals	12,366			49
<u>Additional Fixed Assets Per Application:</u>					
1992	Meters	273	20	5.00%	14
	Total Fixed Assets & Depreciation Expense	12,639			63
<u>CIAC Per Prior Rate Case Docket No. 91-494-W:</u>					
1973-1991	Tap Fees Paid By Developer	(8,300)	8.31	12.04%	FA
1973-1991	Availability Fees	(4,066)	8.31	12.04%	FA
	Totals	(12,366)			0
<u>Additional CIAC Amortized by ORS:</u>					
2006	Tap Fee	(500)	8.31	12.04%	(60)
	Total CIAC & Amortization Expense	(12,866)			(60)
	Net Depreciation Expense				3
	Less: Per Book Depreciation Expense				(275)
	ORS's Proposed Depreciation Expense Adjustment				(272)

FD= Fully Depreciated

FA= Fully Amortized

N/A= Not Applicable

SETTLEMENT AUDIT EXHIBIT CLS-4

South Atlantic Utilities, Inc.
Docket No. 2007-319-W
Computation of Income Taxes for May River Plantation
For the Test Year Ended December 31, 2006

	After ORS's Proposed Accounting & Pro forma Adjustments	After Proposed Settlement Increase
Total Operating Revenues	\$ 8,844	\$ 12,311
Less: Operating Expenses	<u>9,902</u>	<u>9,926</u>
State Taxable Income	(1,058)	2,385
Less: State Income Taxes @ 5%	<u>0</u>	<u>119</u>
Federal Taxable Income	(1,058)	2,266
Federal Income Taxes:		
1st \$50,000 @ 15%	0	340
Total State and Federal Income Taxes	0	459
Less: Income Taxes after ORS's Proposed Accounting and Pro forma Adjustments	<u>0</u>	<u>0</u>
Income Taxes (State and Federal) Adjustment	<u>\$ 0</u>	<u>\$ 459</u>

EXHIBIT E

SOUTH ATLANTIC UTILITIES, INC
2007-319-W
PROPOSED SETTLEMENT RATE AND REVENUE ANALYSIS

Proposed Settlement Rate Schedule				Base Facilities Rate				Consumption Rate			
Customer Classification	Service Type	Billing Unit of Measure	Current Base Facilities Rate (2)	SAU Proposed Base Facilities Rate	Settlement Base Facilities Rate	Current Consumption Rate	SAU Proposed Consumption Rate	Settlement Consumption Rate			
Residential	Tier 1 BFC (0-10,000 gallons)	per unit	\$22.00	\$34.00	\$30.00	\$0.00	\$0.00	\$0.00			
	Tier 2 (10,000-20,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	\$1.00	\$2.00	\$2.00			
	Tier 3 (20,000-40,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	\$1.00	\$2.50	\$2.00			
	Tier 4 (Over 40,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	\$1.00	\$3.00	\$2.00			
Proposed Settlement Revenue Analysis											
Customer Classification	Customer Invoices Issued (1)	Base Facility Charge/ Tier 1 Rate (2)	Proposed Tier 1 Total Revenue	Proposed Tier 2 Rate/1,000 gallons	Water Consumption Tier 2 (kgal)	Proposed Tier 2 Total Revenue	Total Proposed Revenues	Increase Amount	Percentage Increase		
Residential	312	\$30.00	\$9,360	\$2.00	1,476	\$2,951	\$12,311	\$3,467	39.20%		

(1) Customer Invoices issued calculation is based upon 26 customers billed bi-monthly at a proposed BFC rate of \$60.00 (\$30.00 X 2 = \$60.00).

(2) South Atlantic includes 10,000 gallons of water consumption in the BFC. Since SAU bills on a bi-monthly basis, 20,000 gallons are included in the BFC charge.